



*FAST***FORWARD**@50

 **HSIL**

Annual Report 2009-10

HSIL is dynamic. HSIL is vibrant. And, our multi-sectoral strategy is well synchronized.

At 50, we feel younger than ever before, and are growing rapidly through a series of strategic business verticals.

We are aided by our innate flexibility and nimble-footedness and benefit from the multiple perspectives in our organizational decision making.

The cover of this annual report represents these aspects of HSIL, through its multiple hues and harmonious forward-moving strokes. At another level, they represent a butterfly whose agility, adaptability and transformational character inspires us.

Across this document, the use of brightly coloured patterns is designed to reinforce our fondness for synergy, our forever-youthful character and a core competence at marrying aesthetics with functionality.



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FORWARD-LOOKING STATEMENTS

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumption. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



At HSIL, half-a-century is not simply a passage of time; it is a grand canvas that reflects our transformation in response to changing realities.

At 50, HSIL is a potent combination of a range of attributes: rich multi-sectoral insight; drive for innovation; a product mix that reflects evolving customer aspirations and perceptions; a growing pool of talented employees and dedicated distributors and dealers; and a futuristic technology focus in a resource-scarce world. What we deliver as a result of these is improved hygiene and sanitation for the nation, design capabilities that are globally benchmarked and enriched bathroom experience for a whole new generation of people.

These attributes have created a fast-paced, resilient and reinvigorated enterprise over the last five decades. But the journey still continues and the road ahead is characterised by strategic expansion plans on the anvil, enhanced market penetration through increasing the breadth and depth of our product portfolio and faster responsiveness to customer needs and aspirations. And, above all, a commitment to cater to the everyday needs of life, faster, surer and better.



OPERATIONAL HIGHLIGHTS

↑ 13%
Average realisation of sanitaryware manufacturing

↑ 7%
Capacity utilisation of sanitaryware manufacturing

↑ 17%
Average realisation of container glass

↑ 19%
Capacity utilisation of container glass

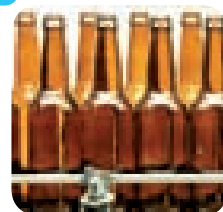
ACQUISITION

We acquired the Chrome Plated Bathroom Fittings Division of Havells India Ltd. sold under the Crabtree brand. This acquisition has further diversified our manufacturing strength to include bathroom fittings as a strategic division for business growth. This acquisition will result in the Company becoming the number two player in the CP bathroom fittings business within a period of two years.

NEW PRODUCTS

Launched 95 new products in the building products division and 60 new products in the container glass segment

Launched an eco-friendly range of water closets and urinals. The Viva EWC, with its water-saving dual flush facility and rectangular slow-falling seat cover connects aesthetics with environment conservation measures



MARKETING AND DISTRIBUTION

Launched two Hindware Lacasa exclusive brand display centers in Kochi and Mumbai

Hindware Arcades and Hindware Boutiques are spread across major cities, showcasing the exclusive product portfolio of the Hindware Brand. We established 33 Hindware Boutiques and Hindware Arcades and designed 18 dealer showrooms

Expanded dealer and sub-dealer network to 1400 and 12,000 respectively

Introduced Hindware Premier League loyalty reward program for our sub-dealer partners







FINANCIAL HIGHLIGHTS

Net Turnover

↑ 29%

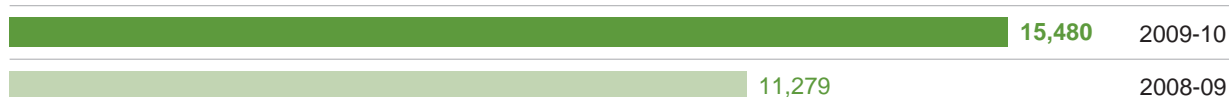
(Rs. in lacs)



EBITDA

↑ 37%

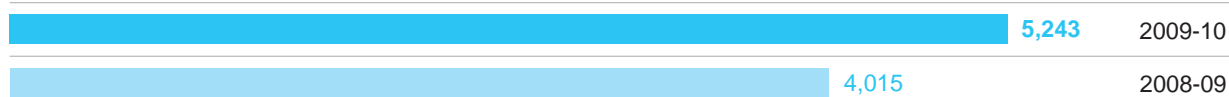
(Rs. in lacs)



PAT

↑ 31%

(Rs. in lacs)



EPS

↑ 31%

(Rs.)





FIVE-YEAR PERFORMANCE SUMMARY

Net Turnover

CAGR 22%

(Rs. in lacs)

78,874	2009-10
61,064	2008-09
52,084	2007-08
47,776	2006-07
39,652	2005-06

EBITDA

CAGR 21%

(Rs. in lacs)

15,480	2009-10
11,279	2008-09
8,873	2007-08
8,469	2006-07
7,847	2005-06

Cash Profit

CAGR 19%

(Rs. in lacs)

11,327	2009-10
7,621	2008-09
5,421	2007-08
5,708	2006-07
5,049	2005-06

PBT

CAGR 18%

(Rs. in lacs)

6,568	2009-10
5,678	2008-09
4,493	2007-08
4,562	2006-07
4,040	2005-06

PAT

CAGR 22%

(Rs. in lacs)

5,243	2009-10
4,015	2008-09
2,865	2007-08
2,911	2006-07
2,581	2005-06

EPS

(Rs.)

9.53	2009-10
7.30	2008-09
5.21	2007-08
5.55	2006-07
5.52	2005-06

EBITDA Margin

(%)

19.63	2009-10
18.47	2008-09
17.04	2007-08
17.73	2006-07
19.79	2005-06

Net Profit Margin

(%)

6.65	2009-10
6.58	2008-09
5.50	2007-08
6.09	2006-07
6.51	2005-06

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Debt Equity Ratio

1.25	2009-10
1.87	2008-09
0.91	2007-08
0.96	2006-07
1.85	2005-06

Interest Cover

3.86	2009-10
6.78	2008-09
5.44	2007-08
5.94	2006-07
6.07	2005-06

FIFTYFULFILLINGYEARS

HSIL's 50-year journey awakens as many associations as it conceals emotions, but the overarching significance can be encapsulated in three simple words: Insight, Innovation and Evolution. These inspiring decades have deepened HSIL's business insight, reinforced innovative capabilities and accelerated its evolution from a small company to a multi-sectoral enterprise. From being the pioneer in the introduction of Vitreous China Single Fired Process in India in 1960s, HSIL has indeed traversed a long way not only in terms of size and scale of operations, but also in the repository of learning and skill that has been acquired over the decades.

THE EARLY YEARS (1960-1970)

The Somany's belonged to a joint family of six brothers, who were collectively involved in small-scale business activities, based out of Kolkata. In 1958, Mr. Rajendra K Somany, decided to embark upon an entrepreneurial venture to explore new avenues for business. Through their interest in the consumer durables industry, coupled with the advice of the then Director General of Technical Development (DGTD), Mr. Rajendra K Somany decided to enter the sanitaryware business.

Still a nascent industry, the quality of bathroom products in India was poor compared to international standards. Operating in such an industry scenario, HSIL wanted to carve a niche by providing quality products at competitive prices. Hence in 1960, through a joint venture with Twyford of UK, Hindustan Twyford Ltd. was incorporated with the objective of introducing high quality and innovative vitreous china ceramic products to the Indian market.

HSIL set up its flagship plant in Bahadurgarh, Haryana (earlier part of Punjab), which commenced production in 1962. The early years were quite challenging due to the lack of satisfactory infrastructure. Nevertheless, with the dedication and desire to bring new products to the market, through iterative trials and tribulations, we successfully developed sanitaryware products, that were superior in quality and finishing to what was at that time available in India.

In 1962, HSIL floated an IPO to raise Rs. 30 lacs through equity shares and Rs. 10 lacs through preferential shares. The IPO got oversubscribed 78.2 times, which was a record. With the initial success and subsequent positive market response, we changed the name of the company to Hindustan Sanitaryware & Industries Ltd in 1967, though still working in technical partnership with Twyford.